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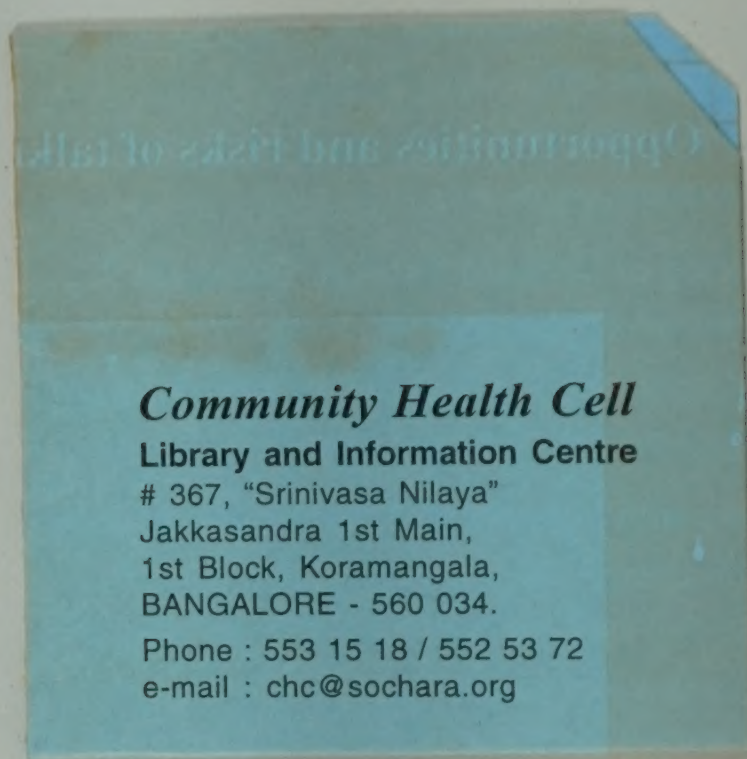
# **DIALOGUE OR ENGINEERING OF CONSENT?**

**Opportunities and risks of talking to industry**

**Judith Richter**

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International Baby Food Action Network  
 Geneva Infant Feeding Association  
 P.O. Box 157  
 1211 Geneva 19  
 e-mail: info@gifa.org

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Author: Judith Richter  
 Editors: Anna Cook, Alison Linnecar and Jörg Schaaber



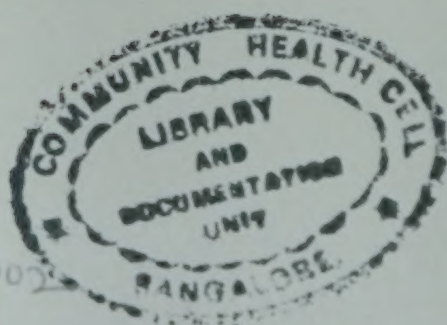
# **DIALOGUE OR ENGINEERING OF CONSENT?**

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**by Judith Richter**

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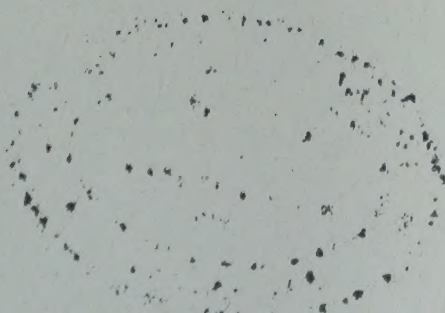
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## Introduction

Campaigns which challenge large corporations to act in socially responsible ways are not new. Since the 1970s, citizen action groups have been attempting to achieve change by means of public awareness raising, boycotts, shareholder resolutions, postcard mailings, court cases and other campaign strategies. At first, most of the corporations and business associations which were the objects of criticism reacted either by denying responsibility or by attempting to discredit those who criticised them. Today, however, the corporate community casts 'dialogues' with critics as one of the best ways to deal with contentious issues.<sup>1,2</sup>

What lies behind the offers of large corporations and business associations to enter into dialogue with them? Do such offers really indicate a change in attitude on the part of industry - and if so, in what direction? Or do they merely constitute a more sophisticated strategy for defending corporate practices that are subject to criticism?

This publication looks to various sources to answer these questions: public relations textbooks, academic publications on propaganda, communication and power, analyses of citizen action groups, as well as concrete *issues management*<sup>3</sup> plans which have leaked out from various companies.

This publication attempts to give an insight into the function of dialogue as a part of corporate public relations (PR). It tries to reveal its disguised intentions and strategies - as far as these are known. Corporate PR is constantly adapting its methods to changing environments. Nevertheless, a brief historical retrospective is helpful to give some impressions on its nature and some major changes over time. (from page 4 on).

The intention is not to rule out direct talks with industry. Whether or not they constitute a meaningful way of influencing corporations depends on the specific situation. However, successes of past dialogues with corporations are probably overestimated. Dialogues are usually not evaluated against potential alternative courses of action which might have been taken but were not. Furthermore, the broader context of the dialogues - for example ongoing public pressure on the corporation - is frequently not taken into account. Whatever the opinion of action groups about the promises of dialogues, they should never neglect their duty to ensure that talks with industry really do benefit those whose interests they publicly advocate.

The aim of this publication is to enable activist groups and other interested circles to better assess the prospects versus the limits and risks of engaging into direct talks with industry. It aims to stimulate activists to share their concrete experiences and reflections. Any additions, comments and criticisms of readers to improve this analysis are most welcome.

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<sup>1</sup> The term dialogue should be put in quotation marks whenever it refers to talks with corporations. This avoids an unqualified connotation of open discussions between two equal partners. However, for better flow of the text, quotation marks are used sparingly in the further course of the text.

<sup>2</sup> For example, a leaked strategy paper of the Federal Association of German Industries entitled "NGOs - a Challenge for Business Associations" outlined three different archetypical reactions to NGO criticism: "non-reaction, confrontation, and dialogue." Dialogue is advocated in cases where the NGO has too good a name to be ignored and where a confrontational stance might ultimately backfire on the corporation or business association in question. The members of the German industry association are advised to 'invest' time and money in such dialogues. A greater acceptance of industry interests, a "public image gain," and better insights into the strength and argumentation pattern of the relevant NGO are mentioned as the potential paybacks of such an investment. [BDI 2000]

<sup>3</sup> The concept is elucidated in the section entitled "Engineering of Consent/Issues Management" from page 5 on.



## Dialogue-oriented Corporate Public Relations – What is it?

German public relations practitioners market the concept of so-called 'dialogue-PR' or 'dialogue-oriented corporate public relations' as a relatively new kind of corporate communication. In fact, dialogues - as a part of corporate PR - have been exported to other countries from the United States since the 1980s.

The editors of a volume on *Dialogue-oriented Corporate Public Relations*, Günter Bentele, Horst Steinmann and Ansgar Zerfuß, define such dialogues essentially as:

*"two-way communication processes in which a change of roles of those involved takes place, or is, in principle meant to take place. In terms of corporate public relations, this means that an open and dynamic communication process between a company and its relevant groups develops in which each conveys something to the other, but in which everyone also endeavours to understand the other's perspective [...] Of course this pre-supposes that all of those involved are talking about the same theme - reference to a common topic assures that the parties actually communicate with each other and don't talk at each other."* [Bentele et.al., 1996: 453]

They assert:

*"The concept of the dialogue as a normative [...] value, as an attractive form of communication - also in semantic terms - was and is being used by many corporations, associations, political parties and other political and non-political institutions to signal modernity, openness and transparency in a societal situation which in fact tends to be characterised by crises and loss of credibility and trust. The frequency with which the term dialogue is referred to is partially inversely proportional to the degree to which the particular societal realm which employs it is prone to crisis; it is probably often a reflex to past crises respectively expectations of future crises."* [Bentele et.al. 1996: 11]

According to Bentele and the co-editors of the book, corporate dialogues can be sub-divided into three forms:

- as an ideal-type model
- as a realistic concept of communication, and lastly
- as a façade-type

In the following, the meaning of these three types will be explained and critically assessed.

### 1. The ideal-type model

The ideal-type PR-dialogue model is often characterised by:

- *Openness* concerning results (i.e. both parties involved in the dialogue must be ready to revise their views any time the arguments of the other party are better);
- *A symmetry* between the two parties, and
- *A consensus* orientation [see for example Bentele et. al. 1996: 449]



PR-theoreticians have begun to concede that dialogues which are carried out in the interests of profit-oriented firms will probably never be able to live up to this model. In the words of Bentele and colleagues: "One must assume that these criteria will never be completely fulfilled in real dialogues. Therefore it makes sense to speak of 'dialogue-oriented' rather than of [genuinely] 'dialogical' corporate communication." [Bentele et. al. 1996: 449]

## 2. The realistic type

Indeed, 'dialogues' with industry have their limits:

Firstly, because openness as concerns results depends upon how far the corporation in question is able to put aside its profit-maximisation interests. Limits are set by what PR theorists, business ethicists and managers call a corporation's 'enlightened self-interest'. [see Grunig et.al. 1996: 223] The point at which a corporation comes up against such limits depends, among other things, upon how much public pressure turns the continuation of a criticised practice - or the further development of a problematic criticised product - into a 'risk' for corporate reputation and profit.

Secondly, the notion of symmetry is questionable given the enormous differences in power between the parties engaged in the dialogue. Generally, there is a significant difference between corporations and citizen action groups, among other things as concerns financial resources and the main issues they are interested in (profit-maximisation versus advocacy of public interests). This is not to say that wealthy corporations are automatically more powerful than action groups. Each societal actor has different power resources at hand. The advantage of public interest groups over corporations lies primarily in their higher degree of credibility, in their good name - a source of power which must not be underestimated in public debates.

Finally, reaching a consensus on controversial issues may no longer necessarily be viewed as the one and only communication goal of industry-initiated talks. Today, finding a 'rational dissent' (clarifying the controversial points) or the search for a compromise are also cited as important goals in the literature. [Bentele et. al. 1996: 454] The former type of corporate dialogues might offer opportunities for critics who are interested in formulating a clear list of agreements and disagreements (which can be sub-divided into clarifications of fact, ethical value-judgement and related political issues).

It would be an enormous gain for society if corporations, and not only PR-theoreticians, were to acknowledge more openly the limitations of actual corporate dialogues. It would also be a progress if corporations tried to reduce their power advantages, if they endeavoured not to exploit their economic and other resources to the detriment of public interests.

## 3. The façade type

Whereas the volume by Bentele and co-editors gives some indication of what the ideal and the realistic types of corporate dialogue look like, it contains no systematic analysis of what the 'façade type' looks like. Nor do the authors venture a guess on the frequency of the façade type in comparison to the realistic type of corporate dialogue.

There is only mention of the fact that the façade type is a type of dialogue "in which the concept is instrumentalised and misused on the basis of its positive connotations" [Bentele et. al. 1996: 15] From the "reconstruction of the dialogue concept" in the volume it seems, however, that façade-type dialogues can encompass anything from "monologues" to "manipulation". [see box 1 in Zerfaß 1996: 32]



From the PR literature, and also from the more general nature of the undertaking, it can be assumed that corporations only rarely engage in open and honest dialogues with their critics. As Professor Hans Röglin, industrial consultant on issues of risk politics and corporation public relations, succinctly puts it:

“Every kind of public communication pursues an interest, and this interest must be to the benefit of the corporation which carries out such public communication. This is inherent to the system, and that is fine. A corporation is neither an ecological institution nor a charity [...] A corporation is primarily set on making profits; for this reason it wants to create and safeguard the conditions for doing so [...] Public communication work should help in achieving this; that is what the PR-agencies, who do this work, are paid for - and not badly; for this [very] reason, ‘successes’ are expected of them.” [Röglin 1996: 231, original emphasis]

In the interest of public, democratic decision-making, it is imperative to gain deeper knowledge of the characteristics and frequency of façade type dialogues. Such knowledge would enable critics to better distinguish between those talks with industry which hold some promise and those which hold little chance for serious interchange. In the latter case action groups can easily justify why they do not want to waste their precious energy and time in long, fruitless discussions but prefer to continue focussing on more public campaign and awareness raising activities instead.

One does not have to wait for PR-theoreticians to pronounce themselves more clearly on the problem, however. General knowledge of the nature of strategic corporate public relations and action groups’ experience with industry ‘dialogues’ provide important clues in this respect.

## Corporate Public Relations – A Short History

A succinct overview of the history of public relations may help see what are the goals business actors may pursue with their corporate dialogues and which functions they may ultimately fulfil.

### **Corporate PR**

Corporate public relations is anything but new. Corporate PR – or corporate propaganda as it was then called - evolved in the last quarter of the 19<sup>th</sup> century, in the United States. Parallel to the development of large industrial corporations, there were often vehement public debates on their role in society, and pressure was put on them to act in a socially responsible way. At the beginning of the 20<sup>th</sup> century, the struggle against workers’ exploitation was the prominent issue. But soon debates also began to be conducted concerning corporate malpractices such as adulteration of products, bribing of politicians and legislators and the massive influence which corporations exerted on the media.

As the well-known propaganda theorist Harold D. Laswell wrote in 1930, it soon became clear that propaganda was cheaper than “violence, bribery and other possible [social] control techniques” [Laswell 1930-5: 524]. ‘Public Opinion’ was recognised as a source of power - corporate public relations was created as a counterforce. According to PR-historian Merle Curti:

“Corporations gradually began to realise the importance of combating hostility and courting public favour. The expert in the field of public relations was an inevitable phenomenon in the view of the need for the services he could provide.” [in Baskin et. al. 1997: 30]



Today, there is a wide array of definitions for public relations. One of them describes public relations as “a means of influencing public opinion.” [Baskin et. al. 1997: 9] Another portrays public relations simply as “planned, purposeful communication.” [for example McQuail 1987: 293]

Indeed, PR is primarily a means to an end. The exact nature of public relations as a discipline or a concrete strategy depends mostly on the primary and secondary goals of the institution which has commissioned PR-work to be carried out. In other words, public relations for a not-for profit organisation such as the International Red Cross or Save the Children Fund can be expected to be very different from public relations for transnational corporations. According to an influential standard PR-textbook, corporate public relations are:

“a means by which businesses seek to improve their ability to do business. Effective public relations smoothes and enhances a company’s operation and eases and increases its sales. It enables a business to better anticipate and adapt to societal demands and trends. It is a means by which businesses improve their operating environments.” [Baskin et. al. 1997: 416-7]

The primary goal of corporate PR has changed little in the course of this past century. It always has and continues to be ‘the creation of a favourable business climate’. What is viewed as a favourable corporate climate, however, can be quite different from case to case and from industry sector to industry sector.

### ***Engineering of Consent / Issues Management***

Beginning in 1923, Edward Bernays, one of the most influential PR-theorists and PR-practitioners of the twentieth century, propagated a most sophisticated form of corporate and state propaganda under the name *Engineering of Consent*. The term was not seen as problematic in a time when corporate public relations referred to itself as ‘corporate propaganda.’ Edward Bernays, a nephew of Sigmund Freud, believed in the desirability and feasibility of psychologically influencing the masses. For him, *Engineering of Consent* meant:

“quite simply, the use of an engineering approach - that is, an action based only on the thorough knowledge of the situation and the application of scientific principles and tried practices in the task of getting people to support ideas and programmes. Any person or organisation depends ultimately on public approval and is therefore faced with the problem of engineering the public’s *consent* to a programme or goal.”  
[Bernays 1952, emphasis in the original]

Until today, the PR-profession has not subjected itself to a critical peer discussion on its role as an engineer of consent. Edward Bernays, for example, who continues to be highly praised in most PR textbooks, held it to be highly legitimate to advise the United Fruit company regarding the overthrow of the regime in Guatemala in the 1950s. [Schlesinger & Kinzer 1982: 86-105; Baylis & Smith 1997:138] German PR-practitioners still pay tribute to their predecessors from the Third Reich for the quality and efficiency of their propaganda during the Nazi regime. [see Heinelt 1998]

The creation of a new public relations discipline, however, does not necessarily mean that it gets put to use on a wide scale. *Engineering of Consent* strategies are elaborate and relatively expensive. Thus they have been employed by corporations primarily in instances in which such corporations see their profit interests particularly threatened, such as in the era of the New Deal in the 1930s.<sup>4</sup>

<sup>4</sup> The government-supported *New Deal* brought about a significant improvement in social legislation in the U.S.A. and was violently resisted by corporations.



In the 1970s and 1980s, *Engineering of Consent* PR gained new impetus. When civil rights, consumer, solidarity and ecological movements were successful in motivating people to boycott products and corporations, this public relations discipline was revived under the name *Issues Management*. PR expert Bill Cantor defines *Issues Management* as:

“the function of identifying issues that impact on the company and developing programmes to influence desired audiences.” [Cantor 1989: 497]

Issues management is used by corporations “to shape, rather than to react to public discourse and decision-making.” [Baskin et al. 1997: 80-81] Bob Leaf, manager of major PR-company Burson-Marsteller, stressed two decades ago:

“Companies can’t wait for a thing to become an issue and then react. Because then they are on the defensive. The key to the 80’s will be defining the issues before they can have an impact on you so that you can diffuse them, be prepared to have an action plan when something comes up rather than having to attack hurriedly under an attack.” [quoted in Chetley 1986: 146].<sup>5</sup>

Baskin and fellow-PR theoreticians elaborate further:

“Issues management grew out of the same reality and recognition that led organisations to practice public relations originally. Organisations have been blindsided for too long by protest groups who gain public support by striking public chords through protest and other tactics. To avoid unpleasant surprises, organisations should scan, monitor and track external forces. These forces should be analysed in terms of their effects on an organisation’s image, profit and ability to act. Based on that analysis, an organisation’s policy must be developed, strategy planned, and action implemented.” [Baskin et al. 1997: 80]

## ***Dialogues on the rise***

Issues Management soon became an international affair. A key player in the development of *international issues management* was the late Rafael Pagan Jr. He was hired by Nestlé in 1981 to take the wind out of the sails of the baby food campaign and to prevent the International Code of Marketing of Breastmilk Substitutes, just adopted by the World Health Assembly, from affecting Nestlé’s profits too much.

But one year later, Pagan gave other corporations advice on how to deal with the ‘public climate’ concerning international codes of conduct. He drew up the fundamentals of an international issues management strategy in order to influence UN debates to the advantage of

transnational corporations.<sup>6</sup> It was also Pagan who appealed to corporations and PR-managers to increase the use of ‘dialogue’ at the Tenth Public Relations World Conference in 1985.

<sup>5</sup> Exactly ten years later, a Burson-Marsteller brochure advertised its services as follows: “Often corporations face long-term issue challenges which arise from activist concerns (e.g. South Africa, infant formula) or controversies regarding product hazards... Burson-Marsteller issue specialists have years of experience helping clients manage such issues. They have gained insight into the key activist groups (religious, consumer, ethnic, environmental) and the tactics and strategies of those who tend to generate and sustain issues. Our counsellors around the world have helped counteract [them].” [Burson-Marsteller 1991]

<sup>6</sup> See Pagan Jr. (1982). Carrying the fight to the critics of multinational capitalism: think and act politically. Speech delivered to the Public Affairs Council, New York, 22 April. Vital Speeches of the Day, XLVIII, 15 July 1982 (also quoted in Chetley 1986: and Richter 2001:148-9)



At this conference he warned the participants about more than 30 pending international codes of conduct and made them aware of the intention of the IOCU (International Organisation of Consumers Unions, now CI, Consumers International) to create “a climate of support for national and international regulation”. Pagan criticised firms for the use of what he saw as an outdated double strategy consisting of:

“*lobbying - direct behind-the-scenes negotiations between companies and governments of UN agencies*”, and “*a public relations orthodoxy that seeks to communicate a decent company image to the general public in order to gain support, or at least consent, for the industry’s objectives.*” [see Pagan 1985: 377; emphasis added]

He advised the corporations to replace this Lobby-Image Management Strategy by “dialogues” with critics, the media and UN organisations in order “to win recognition for the legitimacy and usefulness of multinational firms in society.” [id.]

Pagan Jr. and his colleagues exerted a great influence on the propagation of international issues management. As a PR-consultant, he not only did consultancy work with Nestlé. He also advised Ciba-Geigy, Shell, Union Carbide and many other corporations on how to more effectively deal with public controversies. [see for example Stauber & Rampton 1995: 51-53]. His ‘dialogue’ strategy seems to have paid off. The tendency towards offering to engage in a dialogue on the part of industry has been steadily increasing since the 1980s.

Yet industry is not the only sector to call for dialogue. Third parties as well, such as churches, or, more recently, the World Health Organisation (WHO) and other UN agencies, have been increasingly calling for dialogues with industry. Shortly after being elected Director-General of the WHO in 1998, Dr. Gro Harlem Brundtland declared ‘dialogue’ and ‘partnership’ with industry (and civil society organisations) to be a new prime strategy of her organisation. Gro Harlem Brundtland seems to have been convinced of the merits of this strategy for a long time. Already in her years of work on environmental issues she declared dialogue and partnership with industry to be the only true path for international politics to take:

“*Partnership is what is needed in today’s world, partnership between governments and industry, between producers and consumers, between the present and the future... We need to build new coalitions... We must continue to move from confrontation, through dialogue to co-operation... Collective management of the global interdependence is the only acceptable formula in the world of the 1990s.*” [quoted in Lohmann 1990, emphasis added]

The World Health Organisation is not the only organisation which has its course set on closer ties with the for-profit sector. The United Nations, UNCTAD, UNDP, and the World Bank all make appeals for entering into partnerships with business actors. This is the promising new course of developmental policy, they say.

More and more frequently, critics too seem to view direct contact with industry as the best strategy for influencing corporations. This is a dramatic departure from the strategies of international networks like IOCU (now CI, Consumers International), IBFAN (the International Baby Food Action Network), HAI (Health Action International), and PAN (the

Pesticide Action Network), who successfully pressured for international codes on specific corporate practices in the early 1980s and who still commit themselves today to seeing that they are adhered to - publicly, loudly, and clearly.

It would be interesting to investigate when and why some action groups working on an international level began to put more hopes into dialogues and partnerships with transnational



corporations. An important turning point was certainly the Rio Conference on the Environment and Development in 1992 (UNCED). In an unparalleled PR and lobby campaign, business organisations like the then newly founded Business Council for Sustainable Development – in tandem with UNCED Secretary-General (and businessman) Maurice Strong – claimed that governmental and international regulation of transnational corporations was not necessary.

Corporations had, so they said, acknowledged their responsibility towards the environment and would only too gladly make their own contribution to sustainable development.

This corporate environmental strategy was a reaction of industry to public debates in the 1980s on catastrophes such as the lethal gas leak in Bhopal, the nuclear catastrophe of Chernobyl, the toxic waste spill of Sandoz Basle into the Rhine, the running aground of the Exxon Valdez oil tanker in Alaska and public concerns over the reduction of the ozone layer.

Corporate accountability activists Jed Greer and Kenny Bruno carried out a thorough examination of this industry response which is known in environmental circles as 'Greenwash.' [Greer & Bruno 1996] Their summary of Greenwash, however, shows, that this environmental strategy involved far more than simple whitewashing of the PR-clients' tarnished reputations:

"The major tenets of Greenwash were environmental image advertising, voluntary corporate codes of conduct, and more traditional political campaigns to avoid environmental regulations." [Bruno 1998: 288]

Together with large industrialised nations (primarily the United States), this industrial lobby saw to it that, at the Rio Conference as well as at the World Summit for Social Development in Copenhagen in 1995, the demand for international regulation of transnational companies was removed from all key policy documents. At the same time they did all they could to recruit environmental and UN organisations for their 'voluntary' initiatives. [see e.g. Greer & Bruno 1996: 21-29]<sup>7</sup>

Not only on the international scene, but also at national levels, a growing tendency towards engaging in talks with industry can be observed. Some of these encounters may have been useful. But opinions over the usefulness of the trend remain divided. Simon Heap who researched various types of engagement between business and NGOs is pronouncing in favour of increased dialogues and partnerships between corporations and NGOs [Heap 2000]. Researcher and former Corporate Watch UK staff Greg Muttitt is not convinced by the evidence presented. He feels the book did more to answer the question of "how to dialogue than whether to dialogue." For example, while the researchers interviewed a number of dialogue-friendly NGOs about their opinion, they did not sufficiently take into account the opinion of citizen action groups which so far refrain from embarking onto that path<sup>8</sup>. According to Muttitt the study also ignored the wider political effects of each examined relationship. [Muttitt 2000]

<sup>7</sup> For a description of corporate Greenwash-Engineering of Consent strategies in preparation for the Earth Summit 2002 in Johannesburg, see Corporate Watch US (2002)

<sup>8</sup> Unfortunately, Heap's book implicitly labels groups which are sceptical about the trend towards closer relationships with transnational corporations and their business associations as 'adversarial' 'hardliners' who are worried about 'talking to the enemy' etc. (see e.g. the problematic classification of NGOs in Heap 2000, p. 18)



It remains an important task for action groups to clarify in a common process how they assess the merits of the tendency towards increased engagement with industry for themselves. In such an examination of the potential opportunities versus the limits and risks of direct talks with industry - as well as of the general tendency towards an increase in corporate dialogues - it should be borne in mind that corporations have always used corporate propaganda in order to maintain their hegemony in society.

## Engineering of Consent through 'dialogues'?

### ***The Art of Camouflage and Deception***

Current PR-textbooks do mention that the spectrum of public relations ranges from open and candid to concealed and manipulative communication. Bernays, for example, was a pioneer in exploring the use of psychological means to influence the subconscious of the 'masses' and 'opinion leaders'. Nowhere in mainstream PR literature, however, can we find an assessment of what proportion of corporate public relations is to be viewed as manipulative façade dialogues - or what I would call engineering of consent dialogues.

That has to do with the nature of the undertaking. Why should PR-experts make pronouncements about this? They do know that people dislike being manipulated. For that very reason, 'target audiences' often cannot even recognise that a specific PR-strategy originates from particular corporations and business associations. According to communications researcher Michael Kunczik, public relations all too often stands for "the art of camouflage and deception." [Kunczik 1990: 11]

Whereas the quantitative question must go unanswered, it is certainly advisable - when activist groups judge if they should engage in particular industry-initiated talks - to also try viewing this decision from the perspective of the corporation issuing the invitation: all precautions should be taken to try sounding out what manipulative aims and elements such an offer to dialogue might contain.

How candid and non-manipulative a particular PR-strategy can be ultimately depends on its specific purpose. And this in turn depends on the specific context. A rule of thumb is: the less the employment of a public relations strategy is in the public interest, the more concealed and manipulative its employment by industry is likely to be.

### ***Manipulative PR Dialogue: concealed goals and strategies***

In the following section, insight into some concrete corporate PR practices is provided.

As already mentioned, Bernays's *Engineering of Consent* and *Issues Management* are synonyms. Both are *pro-active, systematic PR-campaigns* (as opposed to *reactive crisis management PR*); and both have three main functions:

1. To gather intelligence and assess the general socio-political climate;
2. To conduct persuasive campaigns aimed at establishing public consent to industry views;
3. To neutralise critical voices.



These three functions divide themselves into further secondary functions. The following list attempts to give an overview of the most important strategies for engineering of consent. It does not claim to be exhaustive, since corporate propaganda is extremely diverse in nature. In selecting strategies, what is essential from the PR perspective is that the targeted goal be reached. Engineering of consent can have the following concealed strategic goals:<sup>9</sup>

- *Gathering intelligence*: for example on planned campaigns of activist groups and their financial and other resources.

*Many PR-firms and also industrial enterprises now have databases which facilitate documentation of activities of critical groups. Novartis, for example, has established a computerised Issue Support & Advocacy Network (ISAN). The classification "global issue" stands for "that which could damage the reputation of the enterprise." The database contains information "on all persons who ever had contact with Novartis... ISAN also contains information on journalists, authorities, politicians and on every question which Novartis was ever asked in any of its branches." [Winter & Steger 1998: 115, 116]<sup>10</sup>*

- *Image Transfer*: the transfer of the good reputation of a group which is highly respected by the public to the criticised enterprise or branch of industry.  
This can take place, for example, when a corporation communicates to the wider public that they have engaged in a 'dialogue' with critical action groups, religious organisations or UN agencies without really reporting on the content and results – or lack of results – of such a meeting.
- *Delay strategy*: the attempt to delay important public action.  
Industry has often engaged NGOs and UN agencies into lengthy discussions on non-binding co-regulatory or self-regulatory industry codes, thus delaying action on much needed external, binding 'command-and-control' regulation.
- *Diversion strategy*: re-channelling the energy of critical groups and public attention from issues of prime importance to less important ones. This may also give critics the illusion that they are at the heart of decisive decision-making processes.

*A classic example of this is the 265-page long document "Shell US South Africa Strategy." This issue's management plan was drawn up by Pagan's PR-firm in 1987 in order to help Shell better deal with the protests against their doing business in an apartheid state. The central piece of advice was to engage critics in churches, citizen groups, academia and science, labour unions and the media in "post-apartheid planning" – to get them caught up in debates about what South Africa should look like after the termination of apartheid - so as "to deflect their attention away from boycott and disinvestment efforts" [see Bratcher 1987; Stauber & Rampton 1995: 53].*

- *De-politicisation and technocratisation of political issues*:

*One example is the reduction of complex debates on genetic technology to questions concerning the safety risks of a few selected products. For instance, the much lauded, two year 'dialogue' between Unilever and environmental groups, was limited to discussions on the safety risk of one particular enzyme (xylanase) [see Katzek 1998: 62].*

<sup>9</sup> More concrete details on the various engineering of strategies can be found in, e.g. Richter 1998 and Richter 2001:144-177.

<sup>10</sup> Heap quotes knowledge on of the wider environment in which corporations are operating as one of the four essential points of the 'art of war' used by corporations for devising their strategies in a competitive business environment. "Collaboration with NGOs can enable corporations to benefit from early warning indicators of public opinion and concern..." [Heap 2000:20]



- *Fudge-strategy*: Blurring problem analyses and agreements made - for example when industry claims that it shares completely the opinion of critics on a certain issue but, in fact propagates a subtly, yet significantly altered version of the analysis and the demands of its critics in statements to the press and other public statements.

*A concrete example of this is Nestlé, the infant food company which claims to fully support the International Code of Marketing Breastmilk Substitutes, but whose Corporate Charter only points out in subordinate clauses and footnotes that the firm - as opposed to WHO and UNICEF - holds the International Code to be valid only for certain parts of the world [Nestlé 1996]. In a similar fashion, the pharmaceutical industry acknowledges WHO's concept of Essential Drugs to be valid for the public sector of poor countries only.*

- *Neutralisation of particularly critical voices*: Earlier, this often occurred by fabricating a communist label for the group in question. Today, industry frequently employs 'dialogue' to neutralise critical voices. It operates on a 'divide-and-rule' strategy in that it publicly praises more conciliatory groups and organisations with which it has engaged in discussions for their 'cooperative', 'consensus-oriented' behaviour (and by attempting to gain greater legitimacy by transferring the good reputation of this group unto themselves) while discrediting other groups as being 'confrontational', 'incapable of engaging in a dialogue' (and thus ultimately 'unworthy' of participating in a democratic debate).

*Firms often expend great amounts of energy on getting church organisations to abstain from participating in boycotts and other activities which put pressure on business. Pagan called this PR strategy the 'religious strategy'. It was one of the main components of his issues management strategies. In order to prevent further UN corporate codes from being issued, he recommended, in 1982, "to strip... the activists from the moral authority they receive from their alliance with religious organisations" and furthermore to separate what he labelled "fanatic" activist leaders from "decent, concerned people". [Pagan 1982; see in addition Richter 2001:147-149]. Pagan himself employed this selective dialogue strategy successfully to undermine the first Nestlé boycott in the 1980s [see for example Stauber & Rampton 1995: 52].*

## **Opportunities, Limits and Risks**

The task of critical groups must thus be to weigh the presumed opportunities of an industry 'dialogue' offer against all apparent and concealed limits and risks before engaging in it.

Action groups who advocate dialogues with industry often overestimate the opportunities. When sounding out the prospects of talks with corporations and business associations, the very first task of activists is a realistic assessment of the limits of a particular engagement. Action groups cannot expect firms to be open to all changes. Even the most well-intentioned manager cannot move beyond a company's 'enlightened self-interest'. He or she must cautiously weigh potential loss of short-term profit interests against projected gains in long-term profits.

(If - and to what extent - there exists a chance that a corporation shifts its profit bottom line often depends on the amount of public pressure which is being exerted. It is therefore important not to slacken public pressure during the talks, even though this may cause momentary discomfort to the corporate dialogue participants).

As already pointed out, the potential concealed goals of a specific dialogue and the degree to which other parties risk being misused for corporate purposes depends on what the corporation in question views as burning problems, as 'issues'. The second main task of activist groups is to find this out. A thorough analysis of the broad political context from an industry perspective may help uncover the complete array of intentions behind offers of



dialogue. It can also give an indication as to what degree there is a chance for relatively straightforward discussions and as to what degree the action group has to be prepared instead for manipulative issues management/engineering of consent strategies.

## Dialogues with Industry and Democratic Decision-making

With respect to the fact that in the last twenty or thirty years, industry has developed and employed increasingly sophisticated methods of engineering consent, the time would seem ripe for citizen action groups to examine some fundamental questions on corporate dialogue.

### **Does the trend towards 'dialogues' with industry promote or prevent transparent, public and democratic decision-making?**

An important step towards answering this question would be to exchange and evaluate experiences which activist groups have had with such dialogues. The tendency to try to solve conflicts with industry by means of dialogue harbours three political dangers:

- Privatisation of public issues
- Shifts in power structures achieved through image transfer
- Obligation to reach a consensus, i.e. delegitimisation of non-consensus-oriented forms of dealing with conflictual societal issues, and marginalisation of groups which choose not to engage in direct discussions.

### **Privatising Public Issues?**

PR (and corporate) managers know that public opinion means power. This is why they often invest considerable energy in attempts to keep – or move – issues which might negatively affect the profits of their corporate clients out of the public sphere. One of the very first strategies of engineering consent PR is usually to try to silence critics.

Companies sometimes do this, for example, by simply taking critics to court. Journalists who are critical of industry live under the constant threat of being sued for libel. Newspapers and other media may see corporate advertising, which is important for their economic survival, withdrawn. [see e.g. Richter 2001:152]

However, PR textbooks also say that initiating legal proceedings can backfire for companies. They can produce 'negative publicity'. Many textbooks mention Nestlé's unsuccessful attempt to compel the Swiss Third World Action Group (Arbeitsgruppe Dritte Welt) by means of a court order to take back claims made in their brochure entitled *Nestlé Kills Babies*. It was the extensive media coverage of the two-year-long court proceedings, which made the whole issue really public. The court case was also a decisive factor in the establishment of the first international Nestlé boycott. [Chetley 1986: 44-47] Similarly, the four-year-long libel suit between Greenpeace London members and McDonald's was one of the best ways to raise public awareness on the issue. In this libel suit, two members of Greenpeace London who were welfare recipients defended their claims on McDonald's business practices without legal counsel against international top lawyers [see for example Schupp 1998: 32-35]. The Nestlé court case as well as the so-called McLibel Case have gone down in the history of corporate PR as 'public relations disasters.'



The question is to what extent companies at present employ PR dialogues as a softer, less conspicuous, strategy to divert public awareness away from controversial issues - or at least for neutralising critical voices as far as possible. Important societal questions to be examined are thus:

- To what degree have offers made on the part of industry to solve conflicts concerning its role and practices by means of dialogue contributed to moving debates which should have been carried out publicly behind closed doors?

*One such example is the long-running joint dialogue programme between German church organisations and German pharmaceutical TNCs. A press statement of the Joint Conference on Church and Development, entitled "Churches and the Pharmaceutical Industry [Engage] in a Successful Dialogue", mentions in passing that an evaluation of pharmaceutical product information revealed that "the content of a high percentage of information on products for Third World countries deviates from the German version" [GKKE 1999]. Yet only when reading the accompanying report on the year-long 'dialogue' between churches and the German Association of Research-based Pharmaceutical Companies does it become clear that this is a serious problem. The pharmacist who was commissioned to compare the information was of the opinion that almost half (46%) of the accompanying information was in urgent need of revision and that over a third (34%) of the package inserts contained "irresponsible and life-threatening errors". Why was there no public debate over this state of affairs? And why did the relevant church organisations accept to publish the companies' explanation that these deviations resulted "for the most part from national stipulations and specific national characteristics"? [GKKE & VFA 1999: 4] Any delay in changing the criticised product information ultimately means co-responsibility for avoidable, serious (potentially fatal) consequences for those patients who trust this product information. It should be noted that the existence of this investigation only became public knowledge when the report on the church-industry dialogue was published.*

- How often have corporations demanded that statements of confidentiality be signed unnecessarily; and how often have critics done this – thus robbing themselves of what is often their most important instrument of power, namely the possibility to exert public pressure?
- Discussions with industry are often extremely work- and time-consuming. This holds true for the energy invested in preparatory work, work which accompanies the talks and work to be done after the dialogue has been carried out. How high are the risks that activist groups are unable to follow up on industry commitments made during such engagements? How often is their attention and energy diverted from their own public interest agendas due to the dynamics of corporate dialogues?

### ***Shifting the balance of power through 'image transfer'?***

In his book entitled *Pressure Groups in the Global System*, Peter Willets, Professor for International Relations Theories, raised the question as to how even small, usually overworked and under-funded activist groups manage time and again to move institutions which are economically at a great advantage to make concessions. His answer was: their power advantage consists of their "ability to mobilise legitimacy", their reputation of fighters for good causes. [Willets 1982: 24]

And that is what many corporations are lacking. Most people are sceptical whether the profit-maximisation interests of large corporations can be reconciled with truly socially responsible behaviour. Thus, from the early days, one main task of corporate PR has been to construct a good name for companies, to construct a good 'image' of corporations as socially responsible institutions (or as anthropomorphised corporate 'citizens').



Whether this reputation corresponds to reality does not matter. This is indicated by the definition of this term in the book *How to Manage Your Global Reputation*, by Michael Morley, the director of the New York branch of Edelman Public Relations and the Vice-director of Edelman Worldwide:

“Corporate reputation – or image, as advertising professionals prefer to term it – is based on how the company conducts *or is perceived as conducting its business*” [Morley 1998: 8, emphasis added].

Ideally, a good reputation is earned by honest, socially responsible behaviour and integrity. But corporations often attempt to improve their damaged reputation through mere ‘image transfer’, by publicising their connections with well-thought of groups or organisations without making any meaningful change to their criticised practices. ‘Dialogue’, ‘partnerships’ (and ‘social sponsoring’, respectively ‘cause-related marketing’)<sup>11</sup> are perfectly suited as means of transferring the good image of participating critics, churches or UN agencies to the companies which have organised the talks. Image transfer works in several ways:

It can increase the legitimacy of the ‘dialoguing’ corporation, thus making it harder for critics to make it clear to the public that many of these corporations are not as good as their reputations and to press for change of problematic practices of image-boosted corporations. For this reason Michael Morley refers to the good reputation of a company as “the most important protective shield in times of crisis”, as “a powerful tool” of “business climate stress management” [Morley 1998: 7, 9]. A good reputation is a “reservoir of good will” (or ‘good will capital’), he says, which allows companies to survive times of crisis better, since important groups in society would say:

“This is a fine, well-managed company with a solid record. There is probably no truth in the rumors/allegations. Even if there is, they [the company] will put things right and get back on track without undue damage.” [Morley 1998: 13]

On the other hand, those who do not resist undue image transfer also risk damaging their own good reputation. This is why Simon Heap warns:

“Reputation is the main weapon used by campaigning NGOs... There are risks to an NGO’s own reputation in choosing to collaborate with a business. For example, if an NGO endorses a particular technology or product used by or produced by a company, the NGO will lose credibility if another part of the same company is found to be violating environmental or social standards.” [Heap 2000:23]<sup>12</sup>

It should be noted that companies are interested in a good image not only for reasons of power. Of late, a good reputation has come to have an increasingly financial value. According to Morley, research clearly shows that a good reputation raises the shareholder value of a corporation:

<sup>11</sup> The PR experts Hamish Pringle and Marjorie Thompson define Cause Related Marketing (CRM) as a “strategic positioning tool which links a company or a brand to a relevant charity or cause in partnership for mutual benefit.” [Pringle & Thompson 1999:3] The book cover asserts that cause-related marketing “can enhance corporate reputation, raise brand awareness, increase customer loyalty, build sales, create press coverage and more.”

<sup>12</sup> In a similar vein he comments on engagements on company codes of conduct: “Campaigning NGOs’ main weapon focuses on corporate reputation. But many advocacy NGOs engaging the private sector find themselves devoting resources to defending their own reputation, which can be damaged when linked to an errant company. An NGO may give advice on a company code of conduct. The company advertises the fact but nevertheless remains unimproved and, when exposed, the public sees both the company and the NGO in a bad light.” This is why Heap advises “NGOs should not be endorsing companies, but engaging with them critically.” [Heap 2000:10-11]



“Corporate reputation and the confidence it inspires in investors will lead to a higher stock price for one company than for others that appear to be equal in all other respects but neglect the care of reputation.” [Morley 1998: 9]

In the business world, the reputation of a company is rated as a factor of ‘risk management’: a company with a good name is seen as being less vulnerable to what companies perceive as crises.

This aspect of a company’s reputation should be recognised by activists as an opportunity for holding corporations socially accountable. After all, their actions, like those of the many ethical investors, have resulted in making a good reputation a quantifiable economic asset. For financial and power-related reasons, citizen action groups should do their utmost to ensure that corporations only have the reputation they deserve – thus directing enlightened corporate self-interest towards a more socially responsible bottom-line.

### **Compulsory consent?**

It is not uncommon to find statements to the press about talks with industry which highly praise consensus-oriented behaviour and discredit any potential controversy as a counter-productive confrontation.

*For example, the Joint Conference Church and Development and Association of the German Pharmaceutical Industry (BPI) issued a public statement early on in the above-mentioned joint dialogue programme. Under the caption “Cooperation instead of Confrontation”, both parties explained why they deemed ‘dialogue’ to be the only true way to improve the distribution of pharmaceuticals to the Third World:*

“The essential problems of health care can only be solved through constructive teamwork on the part of all of those who have a responsibility... If those responsible only make mutual reproaches or even fight against each other, no solutions are conceivable.” [GKKE/BPI 1992: 6]

*Seven years later, the above-mentioned follow-up report on these joint church/pharmaceutical industry ‘dialogue’ states:*

“The Working Group judges the fact that representatives of the churches and the pharmaceutical industry are engaged in a continuous dialogue positively. The mutual understanding of both partners – who are moulded by their different tasks and interests – has grown. The climate of the talks is characterised by openness and trust...”

“The representatives of the Association of Research-based Pharmaceutical Companies perceive the constructive atmosphere in which this dialogue is being carried out as particularly positive. The confrontation course which often determines the relationship between groups interested in development politics and those groups in industry which are affected is hardly suited to contributing to problem solving.” [GKKE/VFA 1999: 7]

Whoever engages in discussions with industry should resist the dualistic distinction which is currently being made between ‘consensus-oriented dialogue’ and ‘confrontation’. Politically speaking, this consensus-versus-conflict discourse, the high praise of consensus and the disparagement of conflict, has two possible consequences:

- It implicitly labels groups who do not engage in consensus-oriented direct discussions with industry as ‘confrontational’, ‘incapable of dialogue’ and ultimately as ‘unworthy’ of participating in democratic decision-making processes.



- It may also lead to the de-legitimisation – or at least lead to the neglect – of other means of motivating corporations to behave in a more socially responsible manner. These include: awareness raising campaigns, boycotts, public correspondence with corporations, panel discussions and other public forms of debates which clarify common views as well as differences of opinions, critical shareholder actions at annual general meetings of companies, or public hearings.

Last but not least there is the risk that, on a long-term basis, this discourse might undermine the financing of action groups which are sceptical about the trend towards consensus-oriented talks with industry. Heap did note a new tendency of some private sector companies to respond to NGO strategies “with heavy expenditure in the information and interpretation battle of PR to out-manoeuvre and undermine the credibility and legitimacy of NGOs in the eyes of governments, donors and the general public. [Heap 2000:41] For instance, when former Nestlé-CEO Helmut Maucher was president of the International Chamber of Commerce he called for an investigation of who finances what he called “undemocratic... pressure groups.” [in Williams 1998]

It seems high time that action groups exchange experiences and ascertain how far this trend has already progressed. They may need to reflect on how to convince not only the broader public, but also their funding community, that narrowing campaigns for corporate accountability down to consensus-oriented discussions with industry is neither the only legitimate way, nor necessarily the most efficient way, to motivate firms to behave in a socially more responsible manner. Action groups may want to point out that many talks with industry were effective only because pressure was simultaneously being exerted on the companies from the outside – curtailing funds for more critical groups may thus actually endanger the modest success of industry-NGO discussions.

## What to do?

For the reasons explained above, it would be insufficient to limit questions concerning the assessment of dialogues with industry to out of context assessments of specific dialogues. Whoever participates in dialogues with industry or initiates them has the responsibility to take into consideration the broad societal and political dimension of such dialogues. In view of the ever-increasing recourse of corporations to engineering of consent PR strategies, two fundamental questions arise:

- **Are direct talks with industry really the most efficient and democratic way of representing public interests?**
- **How can action groups regain more space for transparent, democratic decision-making?**

Among other things it seems high time for an exchange of experience among activist groups, churches and other relevant groups in society in order to prevent corporations from misusing talks for the purposes of:

- Gathering intelligence;
- Manipulating public debates and critical positions via diversion, delay, de-politicisation/technocratisation, and/or fudging strategies;
- Dividing critics and marginalising ‘confrontational’ groups;
- Privatising public concerns (shifting needed public debates behind closed doors)



- Shifting the balance of power by means of image-transfer and divide-and-rule strategies;
- De-legitimisation of 'confrontation' as a democratic form of dealing with conflicts.

The re-instatement of controversy as a legitimate, even essential, element of democratic decision-making is one of the most urgent tasks of our time. As the US-community organiser Saul Alinski said:

"Conflict is the core of a free and open society. If one were to project the democratic way of life in a musical score, its major theme would be the harmony of dissonance."  
[Alinski 1971: 62]

## ***Latest Trends***

At the same time, citizen action groups should reflect on two current trends:

One is the re-emergence of circumvention of public interest NGOs through lobbying talks behind closed doors between transnational firms, their business associations and chambers of commerce and high ranking national and international political decision-makers.

The other is the promotion of 'multi-stakeholder dialogues' as *the* means to influence national and international policy making such as the ongoing preparations for the Rio+10 Earth Summit in Johannesburg.

### ***Corporate lobby in the name of governance and partnership***

While citing their status as 'creators of wealth', their alleged special contribution to creating and maintaining jobs, to technological 'progress' and most recently also to the development of poor countries, the International Chamber of Commerce (ICC), for example, invites functionaries of UN organisations to their 'business round tables'. In doing so, their aim is to secure a privileged role in shaping the global economic policies of the future. When Helmut Maucher took the helm of the International Chamber of Commerce in 1997 he put this in an editorial in the *Financial Times* under the caption *Ruling by Consent*:

"Governments have to understand that business is not just another pressure group but a resource that will help them set the right rules. The International Chamber of Commerce [...] is the obvious partner from the business side for this intensified dialogue with governments. With its long established links with the UN-system, the WTO (World Trade Organisation) and other intergovernmental organisations it is uniquely placed to make the business viewpoint heard in the decision-making bodies that count in today's world".

"Under my presidency, the ICC is resolved to take the lead in asserting the business viewpoint more strongly in the Council of Nations [...] One of our first steps has been to convene a formal dialogue between the ICC and the many important international organisations based in Geneva... and to bring together the heads of international companies and the leaders of international organisations so that business experience is channelled into the decision-making process for the global economy." [Maucher 1997]



One year later Maucher declared himself to be very satisfied with the success of this strategy:

"We have established the ICC as the preferred dialogue partner for business with the United Nations and other international institutions." [quoted in Williams 1998]<sup>11</sup>

Citizen action groups have expressed great concerns over the increasingly close links between transnational corporations and international decision-makers not only in view of the fact that the International Chamber of Commerce represents more than 7,000 firms from over 130 countries. Citizen groups have also expressed concerns about the fact that a number of new arrangements which emerged during the 1990s have allowed transnational corporations to increasingly shape world politics in ways which are contrary to the public interest, while allowing them at the same time to profit from the enhanced image through their close association with governments and the UN agencies.

Such concerns over the attendance of government and UN leaders at the annual World Economic Forum in Davos, the increasing interlinks between governments or UN institutions and business actors through arrangements such as the Transatlantic Business Dialogue (TADB) or the UN-ICC Global Compact are often dismissed with the argument that these arrangements constitute a new form of governance. Some call them 'public-private partnerships' in decision-making, others 'high-level interaction' with industry. [e.g. Pollack & Schaffer 2001; Buse & Waxman 2001:749]

However, global governance cannot mean the unqualified participation of transnational corporations in global policy making and rule-setting. As the Commission on Global Governance pointed out, the task of creating adequate global governance mechanisms would involve the need to ensure that any new arrangement would be "more democratic than in the past." [CGG 1995:5]

The tendency of governmental and intergovernmental officials to invite corporations to participate in all kinds of official decision-making processes, respectively to attend non-publicly minuted business-forums in the name of governance or partnership, circumvents a crucial question: Which of these 'governance' or 'partnership' arrangements conflict with a core mandate of democratic policy making, the task "to subject the rule of arbitrary power – economic, political or military – to the rule of law"? [CGG 1995:5]

### ***Multi-stakeholder dialogues***

The recasting of transnational corporations as corporate citizens and legitimate partners in global decision-making is not the only way in which business influence has increased.

As the world is gearing up to the Rio+10 Summit in Johannesburg in order to review the advances and losses since the 1992 Earth Summit, a new type of dialogue – 'the multi-stakeholder dialogue' – is being promoted as the way to get "beyond deadlock and conflict." At least such an aim is suggested by the sub-title of a book on *Multi-Stakeholder Processes for Governance and Sustainability* which was brought out in January 2002 as one of the results of a project of the United Nations Environment and Development (UNED) Forum in collaboration with the transnational corporate giant Novartis [Hemmati 2002].

The objectives of the project were (1) to "develop a methodological framework for multi-stakeholder processes around intergovernmental bodies, which can be promoted as a template agreed by a significant number and selection of stakeholders, to address... contentious issues of political, economic and technological development;" and (2) to "impact stakeholder involvement in various intergovernmental process, e.g. the design of the preparatory process towards Earth Summit 2002 and the Summit itself..." [UNED Forum 2002]

<sup>11</sup> In the same article he questioned the legitimacy of 'pressure groups' as participants in decision-making processes in international forums [Williams 1998].



The UNED Forum – which was recently renamed Stakeholder Forum for Our Common Future – will be organising several major ‘stakeholder conferences’ on the road to and in Johannesburg. This process is currently sold as the opportunity to discuss sustainable development scenarios in a ‘neutral forum.’ Many outsiders may not realise that the UK-based United Nations Environment and Development (UNED) Forum, is not an UN agency as its name might suggest.<sup>14</sup>

Also the presentation of the UNED Forum as a “multi-stakeholder not-for-profit organisation” [Dodds 2001] might cause some confusion. The International Advisory Board of this ‘not-for-profit’ organisation includes public interest NGOs such as Friends of the Earth, the World Wildlife Fund and the Women’s Environment and Development Organization (WEDO) as well as corporations and business associations such as the World Business Council for Sustainable Development, and the International Chamber of Commerce.

The Amsterdam-based Corporate Europe Observatory questioned the involvement of the ICC and of transnational corporations in processes meant to shape the new Rio+10 Agenda. [CEO 2001b]<sup>15</sup> The corporate accountability group contends that “the main motivation for industry’s eagerness to participate in the various official and unofficial preparatory initiatives such as the multi-stakeholder dialogues, including the UNED’s, does not stem from some altruistic regard for the Rio conventions, but rather to ensure that any concrete outcomes from the process do not harm corporate interests.” It points out that many of the companies involved do have a long history of lobbying against meaningful regulation in the areas of environment, labour and human rights. [Ma’anit 2001]

The UNED Forum’s Executive Director, Felix Dodds, defends the corporate participation on the grounds that “as a multi-stakeholder organisation we welcome all stakeholders to the table.” [Dodds 2001] This justification seems to be grounded in a particular interpretation of the word stakeholder. It may be worth-while to try to retrace the development of the stakeholder discourse.

### **A question of definition**

The term ‘stakeholders’ became common business parlance with R. Edward Freeman’s book *Strategic Management: A Stakeholder Approach*. The management consultant defined stakeholders as “any group or individual who can affect or is affected by the achievement of an organisation’s purpose.” [Freeman 1984] The stakeholder approach was meant to prompt corporations to look not only at their relations with shareholders but also with other important groups. Much management practice now distinguishes between ‘primary’ or ‘secondary’ stakeholders depending on an assessment of where the groups of individuals in question are affected by, or can affect, a firm’s operation. [Bendell 2000:2]

On the positive side, the stakeholder approach may define “stakeholders... as those individuals or groups that have an interest, or take an interest, in the behaviour of a company... and who therefore establish what the social responsibility of the company entails...” [UN Secretary General, 2000] If the stakeholder approach were interpreted in this spirit, it would involve consulting various societal groups on what they perceive as businesses’ ethical and legal duties in their respective contexts.

<sup>14</sup> Outsiders may also find it difficult to distinguish the Forum’s website [www.earthsummit2002.org](http://www.earthsummit2002.org), from the official UN website [www.johannesburgsummit.org](http://www.johannesburgsummit.org). The picture is further complicated by the fact that UNEP, the United Nations Environment Programme, has concluded a contract with the UNED Forum to “jointly support and facilitate the activities of Civil Society and NGOs in the preparatory process for the World Summit on Sustainable Development.” [UNEP/UNED 2001]

<sup>15</sup> For another critical assessment of the process, see also Corporate Watch, US (2002)



However, the stakeholder approach involves the most varied models of 'effective stakeholder relations' and 'strategic management planning'. Many of them do not seem to open corporations up to genuine public input. The focus of strategic management planning can range from "defending the organisation's position against stakeholders who represent a high threat and a low potential for co-operation" to "monitoring stakeholders who represent a low threat and a low potential for co-operation." [Savage et al. 1991]

'Dialogue' is known as one of the ways in which corporations engage in stakeholder relations. Business management expert Jem Bendell has attempted to classify such dialogues. He identified as manipulative dialogues those talks in which the corporations' "motivation [was] to disarm particularly critical stakeholders who are, nevertheless, prepared to talk with a company" [Bendell 2000:5]<sup>16</sup>

Not only management consultants but also public relations practitioners have now adopted the stakeholder approach. Their aim was to use PR more efficiently in an environment where corporations face a multitude of pressure groups with a "demonstrated ability" to influence decision makers. A stakeholder management approach to PR practice defines stakeholders "as individuals who perceive themselves to have an interest in the actions of an organisation..." Embracing such an approach means that public relations practitioners turn away from the traditional way of trying to influence the 'masses' through persuasion of their 'opinion leaders'. Rather they try to organise public relations activities around corporations' 'stakeholder publics' such as customers, shareholders, employees, or consumer and environmental groups. [Baskin et al. 1997:160-1].

It is difficult to know when the use of the term stakeholders changed in a way that corporations and business associations could be seen as stakeholders whose involvement in important public decision making processes was then justified on the basis of their assumed 'stakeholder's right' to participation.<sup>17</sup>

UNED Forum's work on multi-stakeholder processes will undoubtedly further legitimise business involvement in discussions in the field of sustainable development. The Forum defines as stakeholders all "those who have an interest in a particular decision, either as individuals or as representatives of a group. This includes people who influence a decision, or can influence it, as well as those affected by it." And this is how corporations can participate in the multi-stakeholder processes which are described as "*processes which aim to bring together all major stakeholders in a new form of communication, decision-finding (and possibly decision-making) on a particular issue.*" [Hemmati 2002:2, original emphasis]

Multi-stakeholder dialogues (as opposed to traditional corporate stakeholder dialogues) are defined in a way which turns corporations into 'stakeholders'. They then become almost indispensable participants in *public* policy debates. Important distinctions in the differing interests between giant for-profit entities and their political lobby arms and citizen organisations are lost. The Multi-stakeholder discourse also erases any distinction between corporate influence and lobby and citizen's rightful participation in public affairs.

<sup>16</sup> See, e.g. BDI 2000 quoted in footnote 2

<sup>17</sup> Such as in the invitation to the UNED-UK/Imperial College High Level Workshop on "Its Your Choice! Helping to Make Sustainability a Reality". This invitation to the 'Earth Summit 2002-workshop' defines the private sector as a member of civil society, advocates the need for partnerships with stakeholders as a way to 'strengthen the intergovernmental process', and proclaims: "You, as a stakeholder, have a right to put forward your views..." in a "neutral forum" which is characterised as "the ideal way for all of society, including Government, industry, organisations and individuals to come together and reach consensus on the 'deliverables'."



Questions about the opportunities, limits and risks of this new dialogue type do not only centre around the question whether and why corporations should be invited to shape the outcome of the forthcoming World Summit on Sustainable Development. The question is also whether these 'multi-stakeholder dialogues' will allow genuine discussion of the most pressing problems of our current time. Many citizens of this world would agree that regulating harmful business practices should be number one on the agenda of the 2002 Earth Summit.

Yet, as the Forum's book points out, not all issues lend themselves to multi-stakeholder processes. "They are suitable [only] for those situations where dialogue is possible, and where... reconciling interests and integrating views into joint solution strategies seems appropriate and within reach." An essential precondition for such a situation is a common goal. "If the goal is not shared by everybody who should be involved, other mechanisms such as bilateral interaction, traditional lobbying and campaigning will be more appropriate." [Hemmati 2002: 2-3; 25]

In other words, nothing will hinder industry from using the UNED dialogues to promote its view of free-market-based environmental policies, while at the same time lobbying against effective and comprehensive legally-binding regulation.

### ***Enhancing corporate 'rights' to participate in public policy making?***

The participation of many respected NGOs and the UN in these multi-stakeholder dialogues risks enhancing the legitimacy of a profoundly flawed process. The involvement of industry and its lobby organisations in the UNED Forum's multi-stakeholder processes will not further popular participation in governance and actions for sustainable development. As the Corporate Europe Observatory points out, "genuine participation requires social transformation and structural change to the systems of social relations through which inequalities are reproduced, not kind words over tea." [Ma'anit 2001]

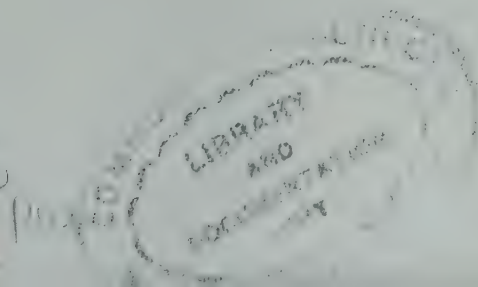
Governments, NGOs and concerned individuals can still pull out of the 'multi-stakeholder processes' and pool their energy to ensure that at the 2002 Earth Summit, corporations will not be allowed to strike the demands for binding international TNC regulation off the outcome document as in Rio ten years ago. This may involve a more confrontational process. As the Corporate Europe Observatory points out:

"While many NGOs have spent years in the Commission for Sustainable Development's multi-stakeholder review of voluntary codes and have little to show for it, grassroots groups, movements and ordinary people in their communities campaigned to stop the Multilateral Agreement on Investment (MAI) which would have had devastating consequences for people and the planet had it been adopted. It was thanks to the resilience, trust and unity of the groups and people involved that we managed to stop it. I doubt very much that, had we been involved in a multi-stakeholder dialogue with the ICC, which was one of the MAI's biggest proponents and architects, we would have had the same effectiveness." [Ma'anit 2001]

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## **Geneva Infant Feeding Association (GIFA) and International Baby Food Action Network (IBFAN)**

The Geneva Infant Feeding Association (GIFA) was founded in 1979 to work in Geneva, Switzerland and all over the world to protect, promote and support breastfeeding against the harmful marketing practices of the baby food industry. GIFA hosts the European Regional Coordinating Office of the International Baby Food Action Network (IBFAN). IBFAN was also founded in 1979, after the Joint WHO/UNICEF Meeting on Infant and Young Child Feeding. The network has now grown to more than 150 member groups in over 90 countries.

The many activities undertaken in collaboration with intergovernmental organisations (e.g. WHO and UNICEF) and NGO partners include:

- Continuous monitoring of company compliance with the International Code of Marketing of Breastmilk Substitutes and relevant World Health Assembly resolutions.
- Advocacy for full implementation of the International Code and resolutions at regional and local levels.
- Representation at the Codex Alimentarius Commission (which sets worldwide standards for foods and drinks including breastmilk substitutes and complementary foods).
- Advocacy for implementation of UN Conventions, including the Convention on the Rights of the Child (CRC), the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and the Conventions of the International Labour Organisation (ILO) as they relate to the rights of women and children to optimal health and informed decision making on infant feeding.
- Campaigning for greater transparency and independence of public bodies.

In 1998, IBFAN was one of the four recipients of the Right Livelihood Award, often referred to as the "Alternative Nobel Prize". IBFAN was honoured for its "committed and effective campaigning over nearly 20 years for the right of mothers to choose to breastfeed their babies free from the commercial pressure and misinformation with which companies promote breastmilk substitutes".

*IBFAN-GIFA, P.O. Box 157, CH-1211 Geneva 19; Tel. +41(0)22-798 91 64, Fax +41-22-798 44 43  
E-mail [info@gifa.org](mailto:info@gifa.org) Web site : [www.gifa.org](http://www.gifa.org) and [www.ibfan.org](http://www.ibfan.org)*

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## **BUKO Pharma-Kampagne**

The federal Congress of Development Action Groups (Bundeskongress entwicklungs-politischer Aktionsgruppen, BUKO) is a network of around 200 German solidarity groups. In 1989 BUKO started a campaign against global malpractices in drug marketing by multinational pharmaceutical companies. The focus of the Pharma-Kampagne is to stop unethical drug marketing practices and to foster rational use of drugs all over the world. The Pharma-Kampagne works with medical students, doctors, pharmacists and medical scientists, through campaigns, publications, press work, public debate and dialogue. BUKO Pharma-Kampagne was one of the co-founders of Health Action International (HAI).

*BUKO Pharma-Kampagne, August-Bebel-Str. 62, D-33602 Bielefeld, Tel. +49(0)521-60550, Fax-63789  
e-mail: [bukopharma@compuserve.com](mailto:bukopharma@compuserve.com) Web site: [www.epo.de/bukopharma/](http://www.epo.de/bukopharma/)*



Large corporations are increasingly subject to criticisms that their business activities harm people and the environment. Citizen groups the world over have been calling them to account for their practices in relation to their workers, consumers, and the wider community in which they operate. This has often involved heated controversies.

Today, dialogues with corporations are presented as a more mature way to influence business practices. But does that really spell out progress? Are we not running the risk that important social debates are being moved out of the public limelight? Are we not risking a shift in the balance of power to the detriment of people's power? Are action groups not giving away some of their most valuable resources – the power to increase public pressure – by accepting the view that consensus is better than conflict? *Dialogue or Engineering of Consent* encourages critical groups to actively deal with these questions.

This publication was originally commissioned by the BUKO Pharma-Kampagne. The Geneva Infant Feeding Association (GIFA)/International Baby Food Action Network (IBFAN), made this up-dated version possible in English.

*Dialogue or Engineering of Consent* was written by Judith Richter who for many years has researched corporate strategies in the face of public pressure and imminent government regulation. Her work includes unveiling and analysing corporate public relations strategies. The aim is to assist activists to better discern the opportunities, limits and risks of engaging with business. Her most recent publications include *Holding Corporations Accountable: Corporate Conduct, International Codes, and Citizen Action* (Zed Books 2001) and *Codes in Context: TNC Regulation in an Era of Dialogues and Partnerships* (Corner House Briefing Paper 2002). Judith Richter is a member of Health Action International and the Women's Global Network for Reproductive Rights.